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To:

Cc:

Subject: RE: Look Back Pre-transaction Method Follow up

I read the 1990 proposed regulations as saying the successor (new taxpayer) must use the SMIM for pre-transaction years. This is the general rule. However, the regulations also prohibit the successor from receiving interest due to a lookback overpayment for pre-transaction years, unless there has been a taxable sale. Lookback interest goes to the predecessor (old taxpayer), who must use either the SMIM with regard to the tax liability ceiling or the actual method, whichever method the predecessor had been using. In short, the successor is not entitled, as a general rule, to lookback interest arising from pre-transaction year overpayments.

Of course, these proposed regulations from 1990 were withdrawn, and their approach was not followed in the regulations that were proposed and finalized some 10 years later.